



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: **Chris Bacha, Chief Deputy City Attorney**
MEETING DATE: October 30, 2019
DATE: October 18, 2019

SUMMARY: A resolution recommending approval of the surplus of Click! Network inventory, equipment and vehicles and the excess capacity of the HFC Network. The surplus declaration, if approved, will not affect current Click! Commercial Network (Click! Network) operations or services which will continue until disposition as may be approved by the Public Utilities Board and City Council. The resolution also recommends that the Board authorize execution of the Click! Business Transaction Agreement by and between Tacoma Power and Mashell, Inc., d/b/a Rainier Connect and Rainier Connect North LLC.

BACKGROUND: In 1997 the City Council approved City Light's (Tacoma Power) proposal to create a hybrid fiber coaxial (HFC) network (HFC Network) as part of Tacoma Power's utility infrastructure to, among other things, connect its generation, distribution and transmission assets, and support eventual adoption of smart meters, appliance control and load shaping, and further to use excess capacity within the HFC Network to provide cable television services to Tacoma Power electric customers and sell data transport and wholesale internet access services. The proposal anticipated that the services provided over the excess capacity of the HFC Network would be revenue self-sufficient and contribute to lowering the costs of building and maintaining the HFC Network.

Since Click! Network began providing cable television and wholesale internet access services in 1998, technology and consumer demands have changed and operational costs have significantly increased. In response to these challenges, the Public Utility Board (PUB) in 2009 began to study alternative Click! Network business models and after many years of study retained the services of CTC Technology & Energy to assist in this analysis. The PUB asked CTC to examine other business models that addressed the challenges of the City's legacy business model and best met the 12 policy goals adopted by the PUB and City Council. Ultimately the PUB and City Council determined that these challenges and policy goals could best be met through a business model in which the City retained ownership of the entire HFC Network, including the Click! Commercial Network, with a third party providing Cable TV and/or internet access services and covering the capital and operating costs associated with providing those services. Under this model, Tacoma Power would no longer provide cable television or wholesale internet access services and the third party would provide Cable TV and/or broadband information services directly to the Public consistent with the 12 policy goals.

Concurrently, the PUB examined its future needs for the excess capacity in the fiber constructed as part of the HFC Network and determined that the Power Control Operations Network (PCON) has sufficient capacity to meet the current and future needs of Tacoma Power, Water and Rail. Further, while it was anticipated in 1997 that the HFC Network would be used for smart meters, the PUB has determined that Advanced Metering Infrastructure (AMI) using wireless technology in conjunction with the PCON Network can be utilized more efficiently and reliably than the current wireline network. Accordingly, the PUB has approved multiple contracts to implement AMI, and the excess capacity of the HFC Network is no longer needed for the implementation of smart meter technology. As a result, the excess capacity in the HFC Network that is currently used by the Click! Commercial Network and that includes the Dark Fiber sub-network are excess



Board Action Memorandum

and surplus to the needs of Tacoma Power and are not required for, or essential to, continued public utility service.

Tacoma Power will continue operation of Click! Network in the immediate future for the purpose of maintaining the network infrastructure, preserving the value of Click! Network, and ensuring that all of Click!'s customers continue to receive services and can be provided an opportunity to transition to services covered by the third party agreements, and until such time as the right to use the excess capacity of the HFC Network and related inventory, equipment and vehicles are transferred through the proposed third party agreements.

Although a declaration that an asset is surplus often proceeds a decision to sell an asset, there is no requirement that a surplus asset must be sold. The request for the Board to make a surplus declaration does not indicate that there is any intent to sell any of the HFC Network in the future. The definition of "surplus" in Merriam-Webster is, "the amount that remains when use or need is satisfied". In Dictionary.Com, "surplus" is defined as "something that remains above what is used or needed". The Board and the City Council have made it clear that they do not intend to sell any portion of the HFC Network, but rather will retain ownership of the entire HFC Network to ensure that the City has control over how the HFC Network is used, and to ensure that the entire HFC Network meets all security requirements and can continue to meet the needs of Tacoma Power, Tacoma Water and Tacoma Rail. The third party agreements include a request that the Board and City Council approve the sale of some of the inventory, equipment and vehicles currently being used to provide Click! Network services, but all of the HFC Network will be retained under City ownership, only a right to use the excess capacity in the HFC Network is being granted.

If applicable, outline all public and stakeholder outreach efforts undertaken.

April 23, 2015 – PUB Town Hall Meeting

May 20, 2015 – PUB Study Session

June 15, 2015 – Presentation to City Club of Tacoma

June 17, 2015 – PUB Study Session

July 7, 2015 – PUB/City Council Joint Study Session

August 26, 2015 – PUB meeting

September 1, 2015 – PUB/City Council Joint Study Session

December 3, 2015 – PUB Special Study Session

December 3, 2015 – Special Board Meeting

December 15, 2015 – City Council Meeting

January 13, 2016 – PUB Study Session

March 23, 2016 – PUB Study Session

January 22, 2016 through August 1, 2016 – 16 meetings of Click! Engagement Committee

August 16, 2016 – City Council Study Session

September 14, 2016 – PUB Public Hearing

September 28, 2016 – PUB Meeting

October 25, 2016 – City Council Study Session

January 23, 2018 – PUB/City Council Joint Study Session

January 24, 2018 – PUB Meeting

January 30, 2018 – City Council Meeting

March 20, 2018 – Joint Study Session

Fall 2018 – Public Outreach Soliciting Feedback from Stakeholders (Employees, Subscribers, Non-subscribers, Businesses, Hi-Tech & Education, ISP-MSA and Public)

November 19, 2018 – Public Stakeholder Gathering

December 11, 2018 – PUB/City Council Joint Study Session



Board Action Memorandum

March 5, 2019 – PUB/City Council Joint Study Session
March 13, 2019 – PUB Hearing
March 18, 2109 – PUB Hearing
March 26, 2019 – City Council Meeting
May 14, 2019 – PUB/City Council Joint Study Session
June 18, 2019 – PUB/City Council Joint Study Session
October 22, 2019 PUB/City Council Joint Study Session
October 23, 2019 – PUB Hearing

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

Explain how expenditures are to be covered and if budget modifications are required.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR?

No.

ATTACHMENTS: List any attachments (contracts, policies, agreements, etc.).

1. Memo from Tacoma Public Utilities Director regarding surplus property declaration.

CONTACT: Chris Bacha, Chief Deputy City Attorney, (253) 591-5885



City of Tacoma

Declaration of Surplus Property (DSP)

To: Purchasing Division **Date:** 10/18/2019
From: Tacoma Power
Contact Name: Tenzin Gyaltzen **Phone:** 502-8763

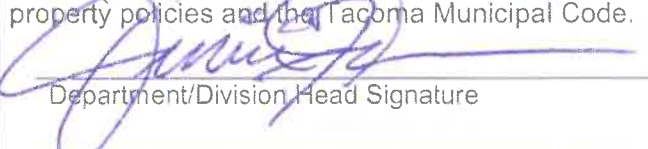
- Declaration of Surplus Personal Property
- Declaration of Surplus Real Property
- Declaration of Unusable Personal Property¹

¹ Items that are broken, unusable, have no commercial, salvage, or donation value, and have no special disposal requirements (e.g., hazardous metals), may be disposed by the owning department. Do not submit DSP Form to Purchasing for these items.

Description of Surplus Property

Describe Item or Attach List: See attached A1, A2, A3 Fixed Asset # _____
 Address/Location of Items: _____ Accounting (for costs/proceeds):
 Estimated Commercial or Resale Value: See A1, A2, A3 and proposed Cost Center: 551000
Agreements with Rainier Connect
 Minimum Acceptable Bid: \$NA General Ledger Acct: _____

I hereby certify the asset(s) listed have no further public use or the sale thereof is in the best interests of the City and declare these items as surplus according to sections 1.06.272 through 1.06.278 of the Tacoma Municipal Code. Items may be sold, transferred, donated or otherwise disposed of in accordance with the City's surplus property policies and the Tacoma Municipal Code.

 _____ 10/18/19
 Department/Division Head Signature Date

 City Manager or Director of Utilities (if over \$200,000) Date

DISPOSAL REQUEST

(to be completed by department)

Requested Disposal Method(s):

- Intra City Transfer
Name of Department _____
- Bid Solicitation (Formal / Informal)
- Vehicle Auction (attach vehicle surplus form)
Specify Contract _____
- Online Auction Service
(attach online auction surplus form)
- Special Advertisement (attach advertisement)
Specify Newspaper _____
- Supplemental Mailing List (attach)
- Website Posting
- Special Disposal Requirements (e.g., environmental, regulatory)
- Salvage Services
Specify Contract _____
- Donation
- 2-Good-2 Toss
- Other: Direct negotiation
- Okay for Disposal: _____

DISPOSAL ACTION

Internal Use Only – Purchasing Division

- Formal Bid No. _____
Resolution/Ordinance No. _____
- Informal Bid No. _____
- Online Auction Website Posting
- Special Advertisement Supplemental Mailings
- Contract Services Intra-City Transfer
- Salvage Services Donation
- Okay for Disposal 2-Good-2 Toss
- Date Advertised/Posted: _____
- Sale Amount: \$ _____
- Sold To: Name _____
Address _____
- Donated To: Name _____
Address _____
- Hold Harmless Release Received
- Recipient is: Public Agency Non-Profit serving
" " General Public Employee
- Accounting, if different from above: _____

APPROVED:

Procurement and Payables Manager Date